

Long Term Care Version XVII

the property cost ceiling. The first cost report year-end for these newly-constructed facilities must be after October 1, 1977. In addition, all facilities with year-ends prior to that of the one hundredth facility in an array from most current to least current year end shall not be considered in setting the property cost ceiling. The ceiling for property computed here shall be used for all facilities not yet being reimbursed under FRVS. The ceiling computed at July 1, 1985 shall be used beginning with July 1, 1985 rates, and all subsequent rates for facilities until they begin receiving reimbursement under FRVS. For those facilities being reimbursed under FRVS, the cost per bed ceiling per Section V.E.1.g. of this plan shall be used.

2. For the purpose of establishing reimbursement limits for operating and patient care costs, four classes based on geographic location and facility size were developed. These classes are as follows:

- a. Size 1-100 beds - Northern Florida Counties
- b. Size 101-500 beds- Northern Florida Counties
- c. Size 1-100 beds - Southern Florida Counties
- d. Size 101-500 beds- Southern Florida Counties

For purposes of defining the four reimbursement classes, the "Southern Florida Counties" shall be comprised of:

Broward	Hardee	Monroe
Charlotte	Hendry	Okeechobee
Collier	Highlands	Palm Beach
Dade	Indian River	Polk
Desoto	Lee	St. Lucie
Glades	Martin	Sarasota

All remaining Florida Counties shall be "Northern Florida Counties."

3. As of July 1, 1994, two additional reimbursement classes shall be defined as follows:

- a. Size 1-100 beds - Central Florida Counties
- b. Size 101-500 beds - Central Florida Counties

The "Central Florida Counties: shall be comprised of :

Brevard	Manatee	Pinellas
Hardee	Orange	Polk
Highlands	Osceola	Seminole
Hillsborough	Pasco	

The "Northern Florida Counties" and "Southern Florida Counties" shall be comprised of the counties enumerated in Section V.A.2. less the "Central Florida Counties" as defined above.

4. Nursing homes participating in the Medicaid program as of July 1, 1994, and located in Hardee, Highlands, or Polk County, shall be "grandfathered in," and shall be considered as members of the "Southern Florida Counties" class, until such time that the "Central Florida Counties" class reimbursement ceilings for the operating cost and patient care cost components equal or exceed the corresponding July 1, 1994, "Southern Florida Counties" class ceilings. The "grandfathered-in" provision shall be applied separately for the operating cost and patient care cost components in each of the two facility size classes. That is, nursing facilities of a given size in Hardee, Highlands, and Polk counties shall be considered as members of the applicable "Southern Florida Counties" size class in the operating cost component until such time as the "Central Florida Counties" operating cost component ceiling equals or exceeds the July 1, 1994, "Southern Florida Counties" operating cost component ceiling for that class. Nursing facilities of a given size in Hardee, Highlands, and Polk counties shall be considered as members of the

applicable "Southern Florida Counties" size class in the patient care cost component until such time as the "Central Florida Counties" patient care cost component ceiling equals or exceeds the July 1, 1994, "Southern Florida Counties" patient care cost component ceiling.

- B. Setting prospective reimbursement per diems and ceilings. In determining the class ceilings, all calculations for Sections V.B. 1. - V. B. 18. shall be made using the four class, and "Northern Florida Counties" and "Southern Florida Counties" definitions of sections V.A. 2. above. All calculations for Sections V.B.19. - V.B.21 shall be made using the six class and "Central Florida Counties" definition of Section V.A.3. above. The Agency shall:
1. Review and adjust each provider's cost report referred to in A.1. to reflect the result of desk or on-site audits, if available.
 2. Reduce a provider's general routine operating costs if they are in excess of the limitations established in 42 CFR 413.30 (1997)
 3. Determine total allowable Medicaid cost.
 4. Determine allowable Medicaid property costs, operating costs, patient care costs, and return on equity or use allowance. Patient care costs include those costs directly attributable to nursing services, dietary costs, activity costs, social services costs, and all medically-ordered therapies. All other costs, exclusive of property cost and return on equity or use allowance costs, are considered operating costs. For providers receiving FRVS payments, the return on equity cost or use allowance cost shall be reduced by the amount attributable to property assets, and the FRVS rate shall reflect a return on equity for property assets as per Section III.J. and K.
 5. Calculate per diems for each of these four cost components by dividing the components' costs by the total number of Medicaid patient days from the

latest cost report. For providers receiving FRVS cost reimbursement, substitute the appropriate FRVS per diem as per Section V.E. of this plan.

6. Adjust a facility's operating and patient care per diem costs that resulted from Step B.5 for the effects of inflation by multiplying both of these per diem costs by the fraction: Florida Nursing Home Cost Inflation Index at midpoint of prospective rate period, divided by the Florida Nursing Home Cost Inflation Index at midpoint of provider's cost report period. The calculation of the Florida Nursing Home Cost Inflation Index is displayed in Appendix A.
7. Adjust, for those facilities not being paid under FRVS, all four components of the per diem for low occupancy per a. through g. below. For those facilities being paid under FRVS, adjust the operating cost component, the patient care cost component, and the return on equity or use allowance cost component, but do not adjust the property component for low occupancy.
 - a. Calculate the percentage of occupancy for each facility.
 - b. Calculate the mean and the standard deviation of the distribution of occupancy levels obtained in 7.a.
 - c. Calculate the percentage of Medicaid days to total days for each facility ("percent Medicaid").
 - d. Calculate the mean and the standard deviation of the distribution of percent Medicaid obtained in 7.c.
 - e. Calculate the adjusted per diem components by multiplying each of the per diem components by the fraction: Individual facility occupancy level, divided by the statewide mean occupancy level less one standard deviation of occupancy levels from Step B.7.b.
 - f. The adjustment described in e. above shall not apply to:

Long Term Care Version XVII

- 1) Facilities with occupancy levels that exceed the statewide mean occupancy level less one standard deviation;
 2. Facilities with only one cost report filed.
 - 3) Facilities with a percentage of Medicaid days that exceeds the statewide mean less one standard deviation of the percentages of Medicaid days.
- g. The occupancy adjustment for operating and patient care costs shall not result in a reduction of more than 30 percent of the applicable class ceiling. The property cost and return on equity or use allowance components shall be adjusted proportionately. The proportionate adjustment for the property and return on equity or use allowance per diems shall be made by multiplying each of those two per diems by the fraction:
- The sum of the operating cost per diem, adjusted for occupancy, plus the patient care cost per diem, adjusted for occupancy; divided by the sum of the unadjusted operating cost per diem plus the unadjusted patient care cost per diem.
- The property cost component shall not be subject to this low occupancy adjustment if a facility is being reimbursed under FRVS.
8. Determine the statewide property cost per diem ceilings for periods April 1, 1983 to July 1, 1985 as per a. through h. below.
- a. Calculate the per diem property cost for the array of newly-constructed facilities by dividing the total property cost by the total patient days for each facility.

- b. Calculate the statewide average occupancy for all facilities used in setting the patient care and operating ceilings. Calculate the median occupancy for the array of newly-constructed facilities.
- c. Calculate two occupancy-adjusted property per diems:
 - (1) An average occupancy property per diem is calculated.
The average occupancy property per diem equals the newly-constructed facility occupancy divided by the statewide average occupancy, times the newly-constructed facility property per diem.
 - (2) A median occupancy property per diem for newly-constructed facilities is calculated as follows:
The median occupancy property per diem equals the newly-constructed facility occupancy, divided by the median of newly-constructed facility occupancies, times the newly-constructed facility property per diem.
- d. Adjust the two occupancy-adjusted property per diems for the effects of construction cost inflation by multiplying each by the fraction: Florida Construction Cost Inflation Index at midpoint of prospective rate period, divided by the Florida Construction Cost Inflation Index at midpoint of provider's cost report period. The calculation of the Florida Construction Cost Inflation Index is displayed in Appendix B.
- e. Calculate the median and standard deviation of the distributions of average occupancy and median occupancy property per diems.
- f. The statewide property cost per diem ceiling for facilities that have more than 18 months operating experience shall be the median of

Long Term Care Version XVII

the average occupancy property per diems plus one standard deviation.

- g. The statewide property per diem ceiling for facilities that have 18 or fewer months of operating experience shall be the median of the distribution of median occupancy property per diems plus one standard deviation. A facility which has more than 18 months operating experience shall be subject to a weighted average property ceiling at the addition of beds at 50 percent or more of the existing bed capacity, or the addition of 60 beds or more. A weighted average rate shall be computed, equal to the sum of:

- 1) Actual per diem costs of the original facility, limited by the lower property ceiling, multiplied by the ratio of its beds to total facility beds; and
- 2) Actual per diem costs of the addition, limited by the higher property ceiling, multiplied by the ratio of its beds to total facility beds.

This weighted average rate shall be effective for 18 months from the date the additional beds were put into service.

- h. Facilities that are not reimbursed based on FRVS shall be subject to the property cost ceilings calculated at July 1, 1985. New property cost ceilings shall not be calculated at subsequent rate semesters.
9. Determine the median inflated operating and patient care costs per diems for each of the four-classes and for the whole State.
10. For each of the per diems in 9. above, calculate the ratios for each of the four-class medians to the State medians.

11. Divide individual facility operating cost per diems and patient care cost per diems that resulted from Step B.7. by the ratio calculated for the facility's class in Step 10.
12. Determine the statewide median for the per diems obtained in Step B.11.
13. For each of the operating and patient care per diems, exclude the lower and upper 10 percent of the per diems of Step B.11. and calculate the standard deviation for the remaining 80 percent.
14. Establish the statewide cost based reimbursement ceiling for the operating cost per diem as the sum of the median plus one standard deviation and for the patient care cost per diem as the sum of the median plus 1.75 standard deviations that resulted from Steps B.12. and B.13., respectively.
15. Establish the cost based reimbursement ceilings for operating and patient care costs per diems for each class by multiplying the statewide ceilings times the ratios calculated for that class in Step B.10.
16. Effective July 1, 1996, except for only the January 1, 2000 rate semester for the patient care component, establish the target reimbursement for operating and patient care cost per diems for each provider by multiplying each provider's target reimbursement rate for operating and patient cost in Step B.16 from the previous rate semester, excluding incentives and the Medicaid Adjustment Rate (MAR), with the quantity:

$$1 + 1.4 \times \frac{\text{Florida Nursing Home Cost Inflation Index at the midpoint of the prospective rate period} - 1}{\text{Florida Nursing Home Cost Inflation Index at the midpoint of the current rate period}}$$

In the above calculation the 1.4 shall be referred to as the inflation multiplier.

For the January 1, 2000 rate semester only, the patient care component inflation multiplier in the above equation shall be adjusted upward for each provider until this adjustment in conjunction with the adjustment in B.17. c. results in an estimated additional reimbursement in the patient care component per B. 18. This adjustment in the inflation multiplier shall not result in a patient care per diem rate that exceeds the patient care per diem costs adjusted for inflation in Step B.6 or be less than a patient care per diem cost calculated using an inflation multiplier of 1.4.

17. Establish the reimbursement ceilings for operating and patient care cost per diems for each class as the lower of:
 - a. The cost based class reimbursement ceiling determined in Step B.15.
 - b. For rate periods beginning July 1, 1996, except for only the January 1, 2000 rate semester for the patient care component. the class reimbursement ceiling as calculated in B.17.b., from the previous rate semester, inflated forward with 1.4 (inflation multiplier) times the rate of increase in the Florida Nursing Home Cost Inflation Index through a calculation similar to that given in Step B.16. No reimbursement ceiling can increase in excess of a 15 percent annual rate.
 - c. For the January 1, 2000 rate semester only, the 1.4 patient care component inflation multiplier shall be adjusted upward for each class ceiling until this adjustment in conjunction with the adjustment in B.16. b. results in an estimated additional

reimbursement in the patient care component per B.18. The adjustment in the inflation multiplier shall not result in a patient care class ceiling that exceeds the class ceilings determined in Step B.15 or be less than the class ceiling calculated using an inflation multiplier of 1.4

18. The adjustments made to the patient care inflation multiplier in Sections I. B.1, V.B.16 and B.17. of this plan shall be made only when the January 1, 2000 rates are initially established and shall not be subject to subsequent revision. These adjustments shall result in an estimated additional reimbursement in the patient care component of \$9,051,822 for the January 1, 2000 rate semester.

1918. Establish the reimbursement ceilings for the operating and patient care cost per diems for the Size 1-100 bed "Central Florida Counties" and Size 101-500 beds "Central Florida Counties" classes as the arithmetic average of the reimbursement ceilings determined in Section V.B.17.

2049. Compute the total cost-related per diem for a facility as the sum of:

- a. The lower of the property cost per diem obtained in Step B.7. or the applicable statewide property cost per diem ceiling calculated in B.8., for facilities not reimbursed under FRVS. For those reimbursed under FRVS, substitute the FRVS rate calculated per Section E. below, which shall be the sum of the property tax (which excludes sales tax on lease payments) and insurance per diems plus the per diem calculated based on the indexed 80 percent